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## Costa Rica

### Food Processing Ingredients Sector

# REPORT

## 2004

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**Report Highlights:**

The Costa Rican market for processed food is growing 4-5 percent per year, which equals growth in food sales at supermarket chain.

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Includes PSD Changes: No

Includes Trade Matrix: No

Annual Report

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## I. EXECUTIVE SUMMARY

Costa Rica's total imports in year 2002 amounted to US\$6.8 billion. The United States, Mexico and Central America accounted for 67% of total import volume. Imports of agricultural and food products amounted to \$2.4 billion, accounting for 35% of total imports. As a result of this, Costa Rica is seen as an attractive market to export food products and an interesting prospect to exporters of processed food products. Domestic demand and consumption increased 4.8% in year 2002 and are expected to continue growing in year 2003.

In the last few years significant changes have taken place in product structure, income, and price in Costa Rica, as a result of variation in consumer tastes and the increased participation of women in the labor force. Additionally, demand has been fostered by the increase in per capita income, a high concentration of population in the urban area, tourism expansion, and the continuous change in the lifestyle of the Costa Rican population.

The young population, 65% of which is located in the urban areas in the country, rapidly adopts the new products and trends and maintains a continuous demand for American goods. These are very welcome, as they are perceived as high-quality products sold at good prices.

Costa Rica's processed-food sector is competitive, with \$880 million worth of production in year 2002. In the last few years, this sector has undergone structural changes through internal investment and strategic alliances with international partners who aim at modernizing the industry and seizing a larger market share. Economic circumstances, international competition, and changes in consumption habits have led to this variation.

A large number of products have entered the sector chiefly from Mexico, Chile, Venezuela, and Colombia. This has led to a change in consumer preferences, as consumers feel strongly attracted by new products and brand names with better prices than those of national products.

In response to this, national producers are making efforts to refine products and attain higher efficiency, in order to cut costs and improve product prices to make them more competitive. This is something very positive for American exporters of processed food products, as they can offer high-quality products at competitive prices in a market stressing value and where changes in consumer trends result in significant growth and consolidation opportunities for new products.

The major sub-sector seen in the Processed Food Sector is Meat and Fish, with US\$205.2 million worth of production, followed by Prepared Foodstuffs with US\$152.5 million. Third comes Dairy Products with US\$ 121.2 million; fourth Milling with US\$83.2 million; fifth Wines and Spirits, with US\$63.5 million; sixth Fats and Oils, with US\$46.4 million; seventh Fruit and Vegetables with US\$ 43.1 million; eighth Soft Drinks together with Sugar and Sugar Products, with US\$42.4 million; ninth Pet Foods with US\$34.9 million; tenth Bakery and Pastry with US\$ 33.7 million and finally Cocoa and Candy with US\$12.2 million worth of production.

## II. ECONOMIC STATUS

Costa Rica has shown sustained economic growth over the last few years. In year 2001, Costa Rica's GDP grew 1.1% as compared to the previous year. In year 2002, it grew 2.8% as compared to year 2001. GDP reached US\$17.1 billion in year 2002.

GDP's growth was characterized by a more dynamic evolution in transportation, warehousing, communications, and manufacturing and, to a lesser extent, in electricity and water production as well as in financial intermediation and insurance. The rest of the industries recorded lower growth rates and, specifically in agriculture and construction, a decrease of about 1% occurred.

The inflation rate, as measured by the Consumer Price Index (CPI), showed a cumulative growth of 9.68% in year 2002, not only lower than the inflation rate in the previous year (11% in year 2001), but also than the goal set in the monetary plan (10%).

Net international reserves reached US\$1,495 million in year 2002. In year 2001 they amounted to US\$1,330 million.

According to the "Encuesta Nacional de Hogares" (ENH, i.e. National Home Survey), employment grew 2.2% as compared to year 2001. However, the total underemployment rate (8.2%) was increased in six tenths and the unemployment rate reached 6.4%, the highest rate recorded over the last six years.

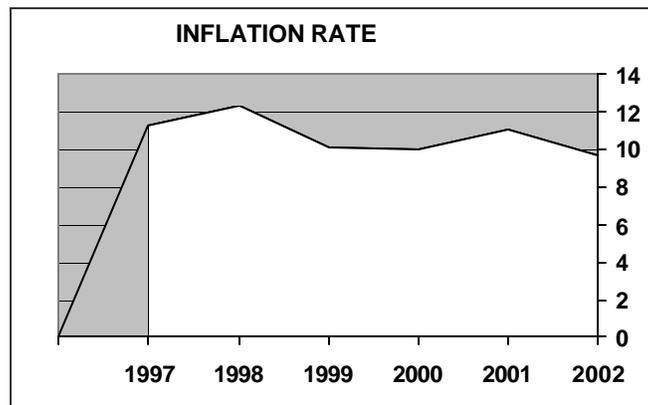
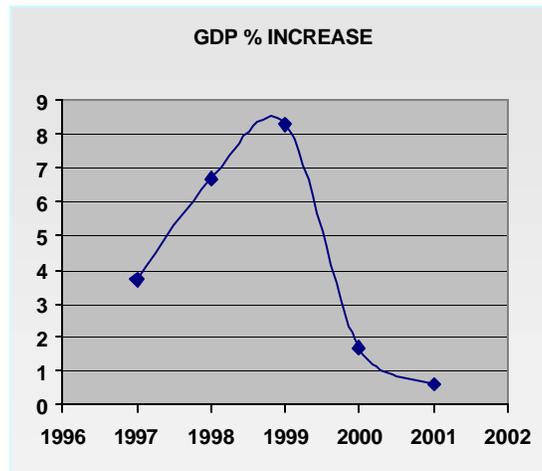
Final home consumption expense in year 2002 grew faster, reaching 2.5%. Available indicators related to the evolution of family expenditure indicate a significant increase in the availability of imported consumption goods. Car and food purchases are prominent here. Family expenditure to purchase imported goods contributed nearly 45% to the increase in value added, in contrast with the evolution in the consumption of domestic goods. These latter decreased about two percentage points in terms of their contribution to the growth of consumption.

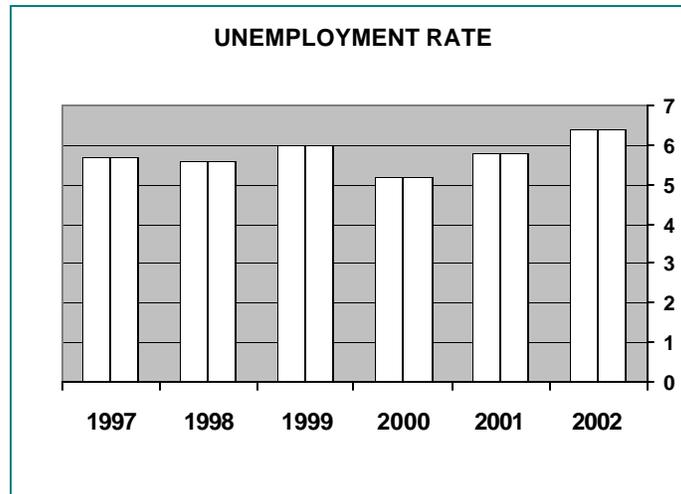
The external public debt balance at the end of year 2002 amounted to \$3,338 million. As a percentage of GDP, it equals 19.8%, which is lower than the percentage found in the previous year. From total external public debt, 60% is attributable to the government, 19% to the Central Bank, and 21% to the rest of the public sector.

Foreign investment flow in year 2002 reached \$642 million, its historical high. This result was chiefly influenced by the purchase of 25% of Florida Bebidas S.A., a subsidiary of the Costa Rican firm Florida Ice and Farm. That portion of Florida Bebidas S.A was acquired by the multinational company Heineken International of Holland for \$218 million.

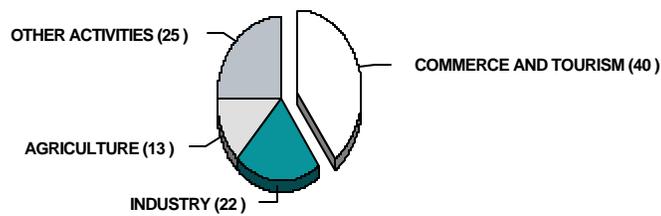
**SUMMARY OF MAJOR ECONOMIC VARIABLES**

- i Costa Rica's GDP grew 2.8 percent in 2002. This would be the best growth rate since year 2000. Intel's impact on national account statistics is so great that it is becoming customary to calculate growth with and without Intel. Big swings in Intel's production have a large impact on Costa Rica's GDP.
- i Year 2002 is showing clear signs of recovery. Domestic demand and household consumption are projected to increase by 5% and 6% in 2003.
- i The economic statistics for the first quarter of 2003 reinforce these estimates: GDP growth equals 0,3%; the accumulated inflation amounts to 3.1% and the unemployment rate reaches 6.0%.





MAJOR ACTIVITIES AS A PERCENT OF GDP



<b>GDP (US\$ millions)</b>	<b>17,060</b>
<b>Per capita GDP in US\$</b>	<b>4,160</b>
<b>Exports (FOB) (US\$ millions)</b>	<b>5,251</b>
<b>Imports (FOB) (US\$ millions)</b>	<b>6,798</b>
<b>Imports (CIF) (US\$ millions)</b>	<b>7,175</b>
<b>Inflation rate:</b>	<b>9.7%</b>
<b>Devaluation rate:</b>	<b>11.0%</b>
<b>Unemployment rate:</b>	<b>6.4%</b>

*Source: Banco Central de Costa Rica-BCCR- [www.bccr.fi.cr](http://www.bccr.fi.cr)*

### SECTION III. MARKET SUMMARY

#### Overview

Despite a small decrease in the processed-food sector in Costa Rica seen in the last few years, the sector still provides significant opportunities to suppliers as a result of the volume of raw materials and goods it requires to operate. There are 1,158 food companies recorded in the country, with \$880 million worth of total production and a labor force of 35,288 people. Also the sector has significant growth prospects.

The industry is divided into twelve sub-sectors, most of which are dominated by a few large companies. The following chart shows each of these sectors. All of the sectors, with no exception, have shown negative growth between 1999 and year 2001.

This negative growth, however, is partially justified by the fact that some industries in the sector have joined the Fee Zone and Active Improvement Plan to enjoy its benefits. Companies such as Gerber y Del Oro are good cases in point.

		PRODUCTION US\$		
FOOD INDUSTRY BY SECTOR	1999	2000	2001	GROWTH RATE
Wines and Spirits	77.775	67.050	63.540	(5.23)
Fats and Oils	61.890	54.217	46.396	(14.43)
Soft Drinks	51.850	44.700	42.360	(5.23)
Pet Food	42.538	41.864	34.896	(16.64)
Sugar and Sugar Products	50.754	46.620	42.365	(9.13)
Dairy Products	134.942	127.443	21.208	(4.89)
Fruit and Vegetables	60.007	50.795	43.106	(15.14)
Meat and Fish Products	228.314	214.989	205.206	(4.55)
Milling Industry	92.101	88.855	83.167	(6.40)
Prepared Foodstuffs	168.768	156.281	152.503	(2.42)
Bakery and Pastry	36.470	34.676	33.626	(3.03)
Cocoa and Candy	16.431	12.719	12.213	(3.98)
<b>TOTAL</b>	<b>1.021.840</b>	<b>940.209</b>	<b>880.586</b>	<b>(6.34)</b>

Source: BCCR, Banco Central de Costa Rica (Costa Rica's Central Bank)

Some general characteristics of the Costa Rican food processing industry follow:

- Costa Rica's agricultural system is not a hundred percent efficient. Farms are numerous and small, most of them are less than five hectares in size. Less than half of Costa Rican farmers use tractors or modern seeds. Yields per acre are low compared to countries with modern

farm technology. Costa Rica's agricultural sector is also under mechanized. When used at all, most agricultural machinery and equipment is antiquated, often between 10 and 15 years old. However, some crops have been developed that are competitive in the international market. At present Costa Rica is successfully exporting banana, melon, pineapple, ornamental plants, leaves, oil palm, coffee and hearts of palmetto trunk.

- Food processing facilities range from large, modern installations to small, mom & pop operations. Of the 1,158 food processing facilities, only 75 employ more than 250 employees while the vast majority has fewer than 29 employees. Many of the largest firms can be classified among the most efficient and mechanized in the world.
- Packaging for many products is generally less sophisticated than in the United States in terms of attractiveness and convenience. However, to comply with the increased demand for processed and packaged foods, Costa Rican manufacturers are modernizing and purchasing high-tech processing and packaging equipment.
- Costa Rica has been a good destination for foreign investment; almost \$899 million were invested in the food and beverage processing industry between 1997 and 2002.
- The total market for raw materials in this sector is growing. Raw inputs to the food-processing sector are primarily supplied by Costa Rican firms. Nevertheless, the import market for these components has been growing. The growth in demand for raw products is due, in part, to the increased local production of processed products that are in high demand and are expensive to ship over long distances.

### Advantages and Challenges Facing U.S. Products in Costa Rica

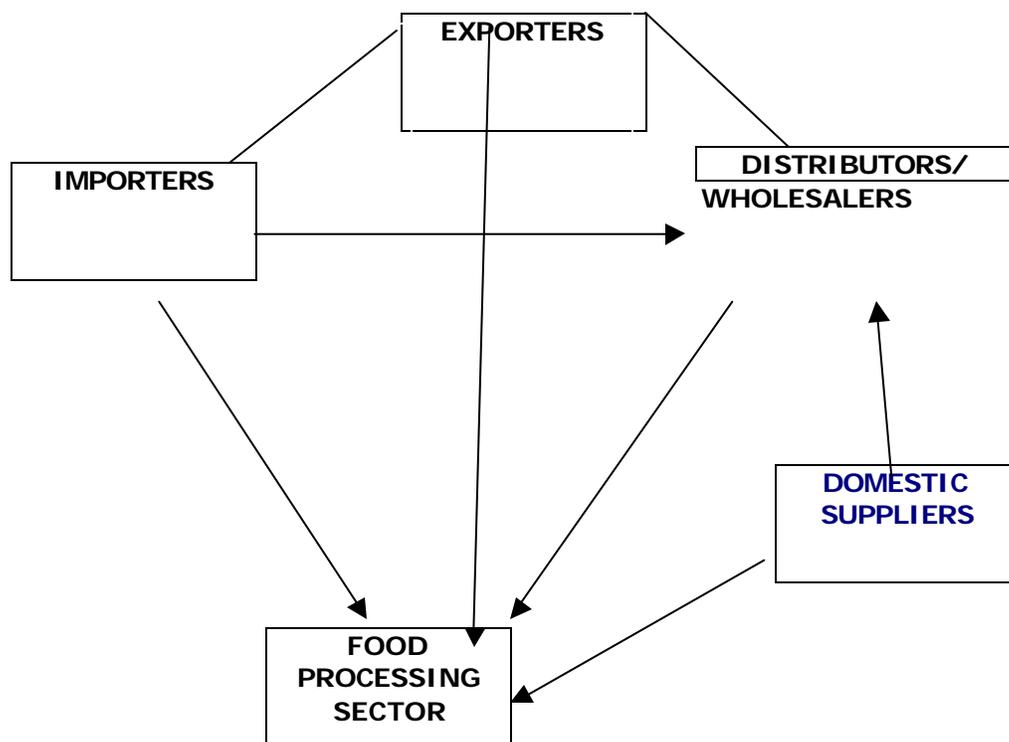
Advantages	Challenges
Costa Rican consumers are demanding more varieties of food products like dietetic, light and healthy products.	Processed food consumption is still small.
The major strength of imported consumer-ready products is quality.	Costa Ricans prefer menus based on fresh produce.
High tariff charges on importing inputs for processing animal feed locally are creating a market for imported animal feed and pet foods.	High tariffs applied to some products like soft drinks.
An increasing level of supermarket sales and an increasing number of outlets create a window for the growth of the food-processing sector.	New local brands appearing in the market at very low prices.
The small number of processed food producers (20 percent of the entire Costa Rican food market) shows a potential market. Marketing efforts from US exporters are expected.	Smuggling.

## SECTION IV. ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

- To penetrate the Costa Rican food-processing sector the investors can establish direct contact with local food processing companies, or indirect contact through brokers, agents or representatives. Also, they can establish direct contact with government representatives.
- Regardless of which strategy is chosen, personal visits are mandatory. They will strengthen knowledge of the domestic food-processing industry and also will help to identify niche markets for specific products.

### B. MARKET STRUCTURE



- ❑ The main food processing sector suppliers are domestic suppliers (75%) and foreign sources (25%). Imports of processed food are concentrated with few distributors/importers/wholesalers.
- ❑ As shown in the chart above, wholesalers/distributors play an important role in the market structure, as they diversify the sources of their purchases from both domestic suppliers and importers, or U.S. exporters. In addition, they supply their products to the local food-processing sector's wholesalers, retailers and the HRI food sector.

- Distribution is both the most important element of any product's success in the Costa Rican food sector, and also one of the most problematic.

For the most part, food ingredients are distributed directly from the U.S. exporter to the processor in Costa Rica. Most major food processors contacted for this study reported that they import raw materials directly.

### C. COMPANY PROFILES

PROFILE OF THE TOP FOOD-PROCESSING COMPANIES				
COMPANY	SALES 2002 (US\$ MILLION)	End-User Channels	Productio n Location	Procuremer Channels
Florida Ice and Farm (beer and soft drinks)	141	Retail	Costa Rica	Direct
Rica Foods.(poultry)	127	Retail	Costa Rica	Direct
Cargill (meat)	77	Retail	Costa Rica	Direct
Fábrica Nacional de Licores (spirits)	34	Retail	Costa Rica	Direct
Ingenio Taboga (sugar)	30	Retail	Costa Rica	Direct
Gruma S.A. (corn products)	29	Retail	Costa Rica	Direct
Panamco-Coca Cola (soft drinks)	23	Retail	Costa Rica	Direct
Compañía Costarricense del Café (coffee)	17	Retail	Costa Rica	Direct
Cuétara (cookies)	8	Retail	Costa Rica	Direct
Rosti Pollos (poultry)	5	HRI	Costa Rica	Direct
Industrias Cárnicas Integradas (meat products)	3	Retail	Costa Rica	Importers Di

Source: ESTYNEG and CACIA: Cámara Costarricense de la Industria Alimentaria (Costa Rica's Food

Industry Chamber), 2002

### Subsector Profiles

#### Overview of Costa Rica's Food-Processing Sector - 2001

SUBSECTOR	INDUSTRIES	WORKERS	PRODUCTION US\$M
Wines and Spirits	10	336	63.540

<b>Fats and Oils</b>	<b>14</b>	1,132	46.396
<b>Soft Drinks</b>	<b>38</b>	4,398	42.360
<b>Pet Food</b>	<b>35</b>	539	34.896
<b>Sugar Products</b>	<b>17</b>	1,688	42.365
<b>Dairy Products</b>	<b>45</b>	3,620	121.208
<b>Fruit and Vegetables</b>	<b>74</b>	3,867	43.106
<b>Meat and Fish Products</b>	<b>112</b>	3,442	205.206
<b>Milling Industry</b>	<b>138</b>	3,765	83.167
<b>Prepared Foodstuffs</b>	<b>159</b>	4,917	152.503
<b>Bakery and Pastry</b>	<b>487</b>	6,560	33.626
<b>Cocoa and Candy</b>	<b>29</b>	1,024	12.213
<b>TOTAL</b>	<b>1,158</b>	<b>35,288</b>	<b>880.586</b>

Food Source: BCCR and CACIA, Cámara Costarricense de la Industria Alimentaria (Costa Rica's Industry Chamber)

### Retailing and Distribution of Food Products

- Bigger stores with more refrigerated/freezer space. Foreign investment in Costa Rica's retail sector has meant that stores are modernizing and increasing their capacity in the refrigerated and frozen-foods sections. Food distribution practices have changed over the past five years as multinational chains have brought modern logistics and technology to the sector.
- Consolidation of the retail sector. Power in the retail sector is increasingly concentrated in the hands of relatively few major companies such as Grupo Constenla S.A, DIPO S.A, and BELCA S.A.
- Direct retail purchases from producers. Major retail chains are increasingly side-stepping distributors and purchasing directly from processed food producers.

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## Raw Materials for the Industry

- Some traditionally imported foods, such as snacks, salad dressings, pasta sauces, and other processed foods that are relatively inexpensive but have high freight costs, will be increasingly produced locally. Similarly, foods whose elaboration requires large amounts of sugar will also be increasingly produced in Costa Rica.
- Increased exports of Costa Rican foods to the United States to serve a growing Hispanic market. Costa Rican food processors are capitalizing on the demand for their products in the population across the border. This trend increases production in Costa Rica.
- Use of imported ingredients. The United States dominates Costa Rican imports of whey protein, tallow, edible lactose, seasonings, sweeteners, colorings, and flavors. Buyers turn to the U.S. for innovative products.
- Move toward higher-quality ingredients. There is a sector-wide trend toward better-quality ingredients instead of ingredients chosen on the sole basis of their cost, although cost remains a determining factor in selecting ingredient suppliers.

Despite the fact that the majority of Costa Rican food processors import raw materials directly, they often rely on foreign suppliers' local representatives or distributors to carry out the process. Thirty to one-hundred twenty day financing is standard in selling to Costa Rican buyers. The following list shows a selection of major food processing firms in Costa Rica and describes the process by which they import raw materials:

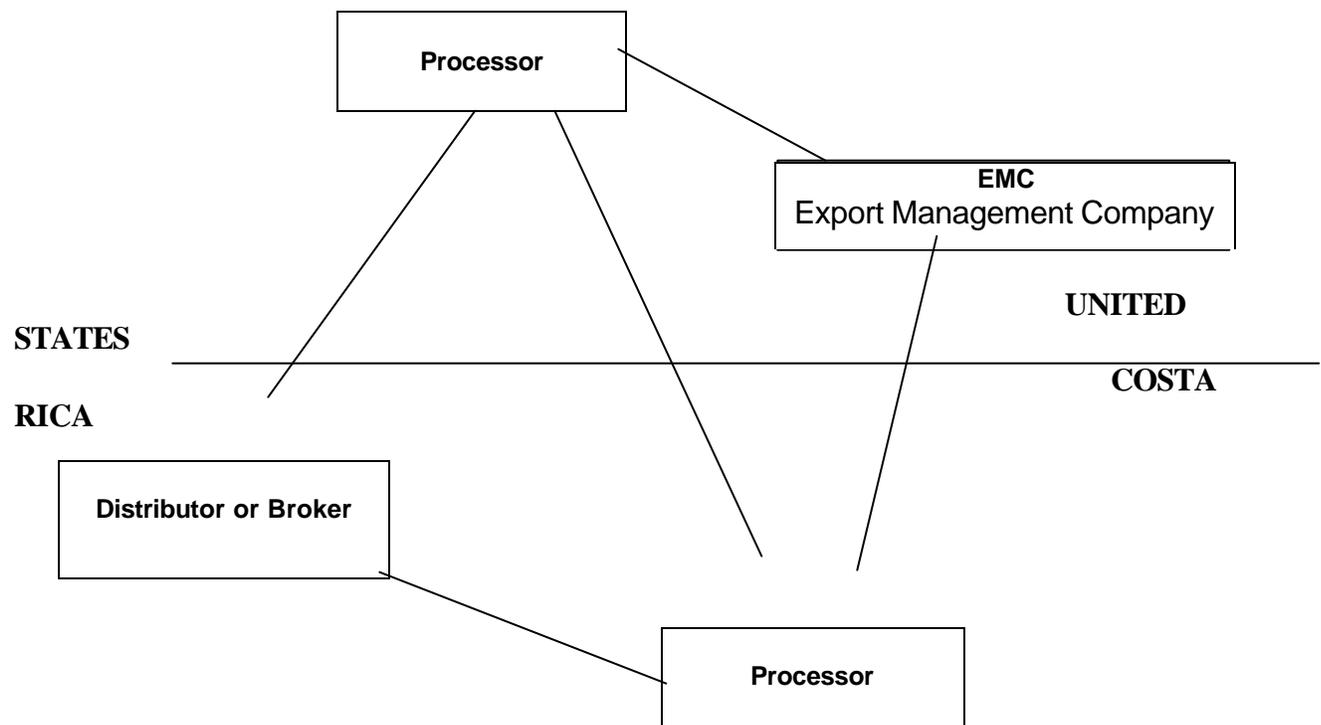
- *Nestle*: the biggest player in chocolate, candy, cereals and cookies. It prefers to import raw materials directly from foreign suppliers (primarily Hormel) but also buys from a local distributor. Ten percent of its raw materials are imported; of these, 75 percent comes from the United States. Foreign suppliers give Nestle 30 to 60 days credit.
- *Musmanni*: the largest producer of bread and baked goods in Costa Rica. It imports its products directly from a foreign company, but relies on a local representative when its supplier cannot provide the product quickly. It pays its raw material suppliers within 30 days.
- *Del Monte*: a major canned foods manufacturer that imports 20 percent of its raw materials. Of this, 60 percent comes from the United States and the remainder from a number of countries including Mexico, Canada, Japan, and Venezuela. Del Monte pays one supplier 25 percent down and 75 percent against shipment.
- *Ricafoods*: the most traditional poultry firm with the highest sales level in Costa Rica. It is vertically integrated and it has a number of by-products, including pet foods. Seventy-five percent of its purchases are domestic.

There are several ways to sell raw materials through a local distributor or directly to the end-user. An Export Management Company (**EMC**) can act as a representative to turn export sales into domestic sales. For companies looking to maintain the low risk of a domestic transaction, an

EMC may be the best way to sell to Costa Rica. The EMC holds the receivable and is therefore vulnerable to any economic turbulence in the Costa Rican economy, such as a devaluation of the Costa Rican colon, or changes in the exchange rate. A broker is a trader that will identify niches or temporary shortages in certain international markets and will source and supply as needed. A manufacture’s representative will go further to act as a foreign producer’s sales arm in supplying products to Costa Rica.

US companies often begin their sales to Costa Rica after being contacted by end-users or brokers. Following a successful period of growing sales, the US company may establish its own sales subsidiary.

The local representative must have experience working with foreign suppliers and must be well-connected in the food processing sector in Costa Rica. The U.S. Agricultural Trade Office (ATO) can identify distributors for specific products. For specific inputs to dairy products, the U.S. Dairy Export Council also maintains listings of potential importers.



**COSTA RICA FOOD PROCESSING INDUSTRY  
MAJOR RAW MATERIALS**

Alfalfa	Glucose & syrup	Rice flour
Anisette	Glycerol	Saffron oil (crude)
Baking powders	Lard	Salt
Barley	Lard stern oil	Sauces and preps
Bean flour	Leaven	Soy oil fly-refined
Butter	Linseed oil, refined	Soybean oil (crude)
Cereals	Malt extract	Soybeans, ex seed
Cheese (all kinds)	Maple sugar/syrup	Spices
Cinnamom	Margarine & lqd	Starches
Cloves	Mayonnaise	Sugar/syrup and flavour
Cocoa powder/subs.	Miscellaneous flour	Sugar cane, fr/dr
Colour/flavour	Mix of spices	Sunflower oil (crude)
Concentrated & subs.	Mixed seasonings	Tapioca and subs.
Coriander seeds	Mixes, dough	Tomato ketchup
Corn	Mustard fl/ml pr	Tomato sauces
Corn flour	Mustard seeds	Vanilla essence
Corn oil	Natural honey	Vegetable oils hydrate
Corn starch	Nuts/seeds, pr/ps	Vegetable oil
Creme /milk sub.	Oats	Vegetable saps, extract
Degras	Olive oil, virgin	Vinegar & subs.
Dextrins	Peanuts, raw-unshelled	Wheat flour
Egg , fr, fz, ck	Pectic substance	Wheat gluten
Fermented beverage	Pellets, rold, flk	Wheat x, seed
Fructose syrup	Pepper, did/cr/gr	Whey, fresh and dried
Fructose, s form	Phosphates	Yeasts, active
Fruit filling	Pig & poultry fat	Yeasts, inactive
Glucose /dex, solid	Pistachios pr/ps	Yellow grease

1) Dextrins: derived from potato starch.

2) Degras: residues resulting from the treatment of fatty substances or animal or vegetable waxes (kg)

## ***D. SECTOR TRENDS***

### **Sector Trends**

The food processing sector is undergoing changes in every aspect. Some important trends are listed below:

### **Market Size**

- ? Growth in the general market. Costa Rica's food processing sector has been expanding in the last three years. Florida Ice and Farm, Rica Foods, Riviana-Pozuelo, El Gallito, Musmanni, Bimbo, and others all concur in that the market is growing. The reasons for this growth include:
  - increase in population and purchasing power.
  - increase in dual-income families, so convenience is valued;
  - new product development; and
  - lower prices for some inputs.
- ? According to bank analysts, the Costa Rican food market has a high growth potential, estimated to be between 4 and 5 percent of its current size in 2003, due to an expected increase in consumption demand.
- ? Costa Rica is a country of 4.1 million inhabitants with 65 percent of them concentrated in the Central Valley. During 2002, Costa Rica's GDP reached \$17.1 billion and the economy is estimated to grow 2-3 percent during 2003. Inflation in 2002 was 9.68 percent and the exchange rate was stable at 379 Costa Rican colones per dollar by the end of December.
- ? During 2002, total sales for the major domestic food-processing companies reached \$1.4 billion. This amount accounts for 75 percent of the Costa Rican food market, with the remaining 25 percent generated by small producers.
- ? Food products are merchandised chiefly through traditional markets, which still handle 53 percent of Costa Rica's food market, including municipal market, street vendors and grocery stores; 47 percent of food products are sold through supermarkets/hypermarkets concentrated in three main chains with a total of 162 outlets.
- ? Costa Rica has been moving toward liberalizing the agricultural sector, which is creating new opportunities for foreign companies in the food-processing industry.
- ? Key market drivers for food processing in Costa Rica include: a) income level; b) income distribution, and c) population structure, with a large portion of the population concentrated in the Central Valley. Low-income groups in general consume food prepared at home with domestic fresh produce.

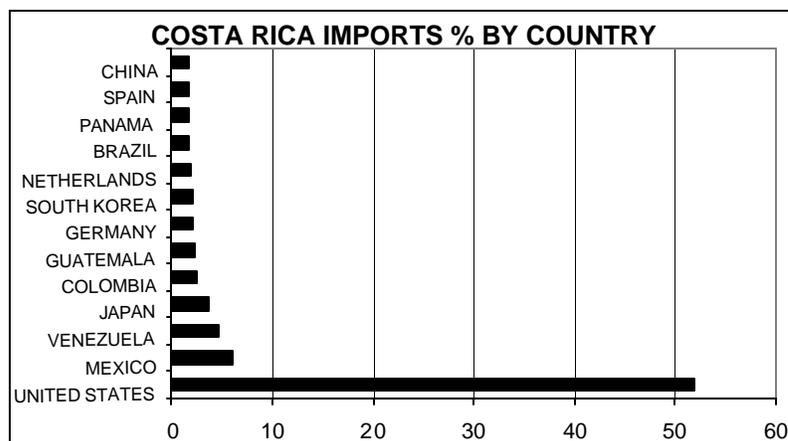
- ? The key social factors leading to a demand for processed food include: a) increasing urban population; b) more participation of women in the workforce; c) a young population (about half of the population are under 20), and d) exposure to more information about foreign products through the media.
- ? Inputs used by the Costa Rican food processing industries as a whole are approximately 75 percent domestic and 25 percent imported.
- ? Demand for low-fat and sugar-free products is still in its early stages but has a high growth potential because of growing awareness about health issues.
- ? Between 1997 and 2002, foreign direct investment in the Costa Rican food-processing sector reached US\$899 million.
- ? The main destination for the Costa Rican food-processing exports is the United States, followed by The Netherlands, Central America and Puerto Rico Chief exportss include bananas, coffee, pineapple, sugar, beverages, oil and baby food.

## **SECTION V. COMPETITION**

- ? US food products in the Costa Rican market face strong competition mainly from United States, Mexico, Venezuela, and Central America. The main foreign competitors are United States (dairy products) with 52 percent of market share, follow by Mexico (fresh produce and wine) with 6 percent, Venezuela (meat, processed food) with 5 percent of market share and CA with 5 percent of total imports.

### **COSTA RICA IMPORTS BY COUNTRY IN YEAR 2002**

<b>RANK</b>	<b>COUNTRY</b>	<b>IMPORTS %</b>
<b>1</b>	<b>United States</b>	<b>51.97</b>
<b>2</b>	<b>Mexico</b>	<b>6.05</b>
<b>3</b>	<b>Venezuela</b>	<b>4.76</b>
<b>4</b>	<b>Japan</b>	<b>3.67</b>
<b>5</b>	<b>Colombia</b>	<b>2.43</b>
<b>6</b>	<b>Guatemala</b>	<b>2.24</b>
<b>7</b>	<b>Germany</b>	<b>2.18</b>
<b>8</b>	<b>South Korea</b>	<b>2.16</b>
<b>9</b>	<b>The Netherlands</b>	<b>1.89</b>
<b>10</b>	<b>Brazil</b>	<b>1.76</b>
<b>11</b>	<b>Panama</b>	<b>1.75</b>
<b>12</b>	<b>Spain</b>	<b>1.66</b>
<b>13</b>	<b>China</b>	<b>1.61</b>
	<b>TOTAL</b>	<b>84.13</b>



Source: Banco Central de Costa Rica-BCCR

**COSTA RICAN IMPORTS 2002, BY PRODUCT**

PRODUCT	Value (US\$ thousands)
Beans and Soybeans	7,465
Corn	5,260
Fresh Fruit	3,216
Wines and Spirits	2,871
Processed Fruit & Vegetables	2,748
Sauces and Soups	1,782
Breakfast Cereals	1,522
Fats and Oil	1,414
Pet Foods	1,287
Malt	1,172
Candy	1,154
Fruit & Vegetables Juices	1,043
Wheat	960
Dairy Products	506
Fresh Vegetables	486
Fish Fresh/Chilled/Frozen	414
Rice	51
<b>Total</b>	<b>33,351</b>

Source: BCCR and Costa Rica's Customs Department

? Also, US food processors in Costa Rica face very strong competition from Costa Rican companies that dominate many of the sub-sectors and are large, self-sufficient operations. The following table illustrates the competition by sub-sector in the Costa Rican processed-foods industry:

**Level of Competition by Sub-sector in the Costa Rican Processed-Foods Industry**

<b>Sub-sector</b>	<b>Level of Competitiveness</b>
Beverages	High; Florida Ice & Farm dominates the market
Canned Goods	Medium; especially from frozen fruit/vegetables
Cereals	Low
Confectionery and Candy	High; Nestlé dominates the industry
Dairy Products	Medium; very high for yogurt and high for cheese
Edible Oils	Medium; Numar is strong.
Processed Meats	High
Salty Snacks	High

Source: Industry interviews.

In the case of food ingredients, the United States is the main source of imports to Costa Rica. The following list indicates the major inputs imported from United States.

- *Whey protein*: The United States supplies almost 74 percent of Costa Rica's imports with the balance divided between Canada, Mexico, and The Netherlands.
- *Food starches*: Costa Rica is fairly self-sufficient in terms of starches, exporting a quantity equal to 55 percent of its food starch imports. The United States supplies half of all Costa Rican food starch imports with Mexico and Canada as its largest competitors.
- *Tallow*: Costa Rica is almost totally dependent on the United States for tallow.
- *Edible lactose*: Costa Rica produces edible lactose, some of which is exported. Ninety-three percent of Costa Rica's imports come from the United States.
- *Seasonings*: Costa Rica has a strong production of seasoning products, exporting a quantity equal to 71 percent of its imports. The United States is the source of 81 percent of all seasonings imports in Costa Rica.
- *Natural and artificial sweeteners, coloring, flavoring, dough conditioners, and beverage base*: Costa Rica also has a significant national production, exporting a quantity equal to 31 percent of its imports. The United States dominates imports with almost 65 percent of the total, with Mexico, The Netherlands, and Canada supplying the balance.
- *Enzymes*: Costa Rica is fairly dependent upon imports to meet its enzymes needs. The United States has a 60 percent share of the Costa Rican import market, with the rest supplied by Denmark, Germany, Finland, and Ireland.

### MAJOR PROCESSED FOODS IN COSTA RICA

CATEGORY	BRAND NAME
SAUCES	Maggi, Lizano, Kraft, Alfaro, Knorr, Hellmann's, Santa Cruz, Negrini
PASTA	Roma, Prince, Vigui, Lucema, Barilla
CRACKERS AND COOKIES	Nestle, Pozuelo, Cuétara, Gama, Nabisco
CANNED FOODS	Del Monte, Ligo, Richly, Del Trópico, Del Campo, Sardimar, T Mar, La Costeña, Malher, Ducal, Pay Pay
COCOA AND CANDY	Nestle, Gallito, Milka, Perugina
CEREAL	Kellog's, Jack's, Nestle, Gerber, Quaker
SNACKS	Jacks, Tosty, Diana, Rumba, Act II
DAIRY GOODS	Dos Pinos, Numar, Monteverde, Coronado
FROZEN FRUIT AND VEGETABLES	Hortifruti, Dole
JUICES	Dos Pinos, Coronado, Del Campo, Hi C, Jumex, Kerns, Del Monte Naturas, Welch, Del Prado, Kapo
BABY FOOD	Gerber, Heinz,
BREAD	Breddy, Bimbo, Camacho, Musmanni, Durán
COFFEE	Britt, Rey, Volio, 1820, Dorado, La Meseta, Fedecoop, Americo, Triángulo,
MEATS	PIPASA, As De Oros, Monteverde, Cinta Azul, Retana, M Zar, Porquis, La Lonja, Tega, París
SOFT DRINKS AND SPIRITS	Coca Cola, Pepsi Cola, Canada Dry, Tropical, Tampico, La Pilsen, Imperial, Bavaria, Heineken, Rock Ice, Bacardi, Smirnoff, Concha Y Toro, Britt, Johnnie Walker, Chivas Rico, José Cuervo, Centenario, Nikolai

## SECTION VI. BEST PRODUCT PROSPECTS

### A. Products in the market with good sales potential:

- Fresh fruit, corn, wine and spirits, soybean, pet food, candy, fresh vegetables, packaged bread, pasta, sausages, french-fries and sauces.
- Also imported processed food products like confectionary, dairy products and vegetable oil, among others with an interesting level of demand in this sector.

**B. Products not present in significant quantities in the market, but with good sales potential:**

- Juices, ingredients, flavorings, salad dressings, beer, liqueurs, snacks, consumer-ready food products, microwave able foods and canned products.
- Most of these are almost entirely retailed through supermarket chains oriented toward segments with high and medium purchasing power.
- A great potential for retailing processed food products through traditional markets is foreseen.
- Importers, distributors, wholesalers and retailers must optimize their marketing efforts to change the habits of the consumers who until today are not shopping at supermarkets/hypermarkets.
- The demand for low-fat products is still at its initial stage, but it has growth potential based on the increasing appeal healthy products have for consumers.

**C. Products not present in the market due to significant barriers:**

- There are no special trade barriers to enter the Costa Rican market, only the stipulated trade tariffs and the sanitary certificates required for imported food products.

**SECTION VII. POST CONTACT**

If you have any question or comments regarding this report or need assistance in exporting to Costa Rica, please contact the US Embassy in San José at the following address:

**1. U.S. Embassy Commercial, Agricultural and Trade-Related Contacts**

U.S.Department of Commerce-U.S.Commercial Service-Unit 2508

APO, AA 34020-9508

Phone:(506)220-3939 extensions 2203, 2207, 2263/220-2454

Fax:(506)231-4783

E-mail: san.josecr.office.box@mail.doc.gov

Website: [www.USATRADE.gov/CostaRica](http://www.USATRADE.gov/CostaRica)

Ms. Margaret Hanson-Muse,Commercial Attaché

Mr. Víctor Cambroneró,Senior Commercial Specialist

Mr. Rodrigo Rojas, Commercial Specialist

Ms. Eugenia Solera,Commercial Assistant

Mr. Roy Fernández,Commercial Assistant

U.S. Department of Agriculture  
Foreign Agricultural Service (FAS)-Unit 2507  
APO AA 34020  
Phone (506)220-3939 Ext. 2333 Fax (506)232 -7709  
E-mail: fassjo@racsa.co.cr  
Website: www.fas.usda.gov  
Mr. Alan C. Hrapsky, Agricultural Attaché  
Mr. Víctor González, Agricultural Specialist  
Ms. Illeana Ramírez, Agricultural Marketing Assistant  
Ms. Rossie Murillo, Assisnat  
Ms. Cinthya Smith-Palliser, Marketing Clerk

U.S. Department of Agriculture  
Animal and Plant Health Inspection Services (APHIS)-Unit 2522  
APO AA 34020-9522  
Phone (506) 290-4548 Fax (506) 296-3556  
E-mail: aphiscr@sol.racsa.co.cr  
Website: www.aphiscr.com  
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U.S. Department of State-Economic Section-Unit 2501  
APO AA 34020-9501  
Phone (506) 220-3939 Fax (506) 220-2305  
Website: www.usembassy.or.cr  
Mr. Frederick, Kaplan, Political and Economic Counselor  
Mr. Todd Chapman, Economic Officer  
Mr. José María Quirós, Economist

For further information:

**2. AMCHAM (Local American Chamber of Commerce)**  
Cámara Costarricense-Norteamericana de Comercio--AMCHAM  
(Costa Rican-American Chamber of Commerce (AMCHAM))  
US mailing address: 1576 P.O. Box 025216  
Miami, FL 33102-5216  
International mailing address:  
Apdo. 4946-1000  
San José, Costa Rica  
Phone (506)220-2200 Fax (506)220-2300  
E-mail: chamber@amcham.co.cr  
Website: [www.amcham.co.cr](http://www.amcham.co.cr)  
Contact: Ms. Lynda Solar, Executive Director

**3. Country Trade and Industry Associations in Key Sectors**

Cámara de Comercio de Costa Rica

(Costa Rican Chamber of Commerce)

Apartado 1114-1000

San José, Costa Rica

Phone (506)221-0005/221-0124 Fax (506)233-7091

E-mail: camaraco@racsa.co.cr

Website: www.camara-comercio.com

Contacts: Emilio Bruce , President or Coimbra Sáenz, General Manager

Cámara de Representantes de Casas Extranjeras (CRECEX)

(Chamber of Representatives of Foreign Firms)

Apartado 3738-1000

San José, Costa Rica

Phone (506)253-0126 Fax (506)234-2557

E-mail: crecex@sol.racsa.co.cr

Website: www.infoweb.co.cr/crecex

Contact: Mr. Walter Marín, Executive Director

Cámara de Industrias de Costa Rica

(Costa Rican Chamber of Industries)

Apartado 1003-1000

San José, Costa Rica

Phone (506)281-0006/0004/0005/ Fax (506) 234-6163

E-mail: camind@sol.racsa.co.cr

Website: www.cicr.co.cr

Contact: Mrs. Mayi Antillón, Executive Director

Cámara Nacional de Agricultura y Agroindustria

(National Chamber of Agriculture and Agribusiness)

Apartado 1671-1000

San José, Costa Rica

Phone (506) 280-2173/225-8245/2801569/280-0096

Fax (506) 280-0969

E-mail: cnaacr@racsa.co.cr

Contact: Mr. José A. Madriz, President

Coalición de Iniciativas de Desarrollo

(CINDE/Costa Rican Investment and Trade Development Board)

Apartado 7170-1000

San José, Costa Rica

Phone (506) 220-0036 or 299-2803 Fax (506) 299-2866 or 220-4750

E-mail: abonilla@cinde.or.cr

Website: www.cinde.or.cr

Contact: Ms. Anabel González, Director

Ms. Aleida Bonilla, Coordinator, Special Projects

(CINDE/Costa Rican Investment and Trade Development Board)  
E-mail: cindenya@aol.com  
Contact: Mr. Eduardo Hernández, Investment Officer  
Ms. Pilar Madrigal, Assistant  
(Office in California)  
4516 Carlyle Court, Suite 1622  
Santa Clara, California 95054  
Phone (408) 988-9001 or 988-8079 Fax (408) 988-8090  
E-mail: jmorales@cinde.or.cr

**COMPREHENSIVE ECONOMIC INFORMATION:**

Central Bank of Costa Rica	<a href="http://www.bccr.fi.cr">www.bccr.fi.cr</a>
Ministry of Foreign Trade	<a href="http://www.comex.go.cr">www.comex.go.cr</a>
Ministry of National Planning	<a href="http://www.mideplan.go.cr">www.mideplan.go.cr</a>
Ministry of Economy, Industry and Commerce	<a href="http://meic.go.cr/ingles/">meic.go.cr/ingles/</a>
Costa Rican Foreign Trade Corporation	<a href="http://www.procomer.com">www.procomer.com</a>
U. S. Bureau of Labor Statistics	<a href="http://stats.bls.gov">http://stats.bls.gov</a>

**BUSINESS INFORMATION:**

Costa Rican American Chamber of Commerce	<a href="http://www.amcham.co.cr">www.amcham.co.cr</a>
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**TOURISM:**

Costa Rican Tourism Board	<a href="http://www.tourism-costarica.com">www.tourism-costarica.com</a>
Costa Rican National Chamber of Tourism	<a href="http://www.costarica.tourism.co.cr">www.costarica.tourism.co.cr</a>

**STATISTICS AND POPULATION:**

National Institute of Statistics and Census – INEC	<a href="http://www.inec.go.cr">www.inec.go.cr</a>
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**NEWSPAPERS:**

La Nación	<a href="http://www.nacion.co.cr">www.nacion.co.cr</a>
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